

[COUNSEL LISTED ON SIGNATURE PAGE]

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

WAYMO LLC,

Plaintiff,

v.

UBER TECHNOLOGIES, INC.,  
OTTOMOTTO LLC; OTTO TRUCKING  
LLC,

Defendants.

Case No. 3:17-cv-00939-WHA

**DEFENDANTS' CRITIQUE OF  
TENTATIVE JURY INSTRUCTIONS  
AND SPECIAL VERDICT FORM ON  
TRADE SECRET  
MISAPPROPRIATION**

Trial Date: December 4, 2017

Pursuant to the Court’s request, Defendants Uber Technologies, Inc., Ottomotto LLC, and Otto Trucking submit their critique of the Court’s Tentative Jury Instructions on Trade Secret Misappropriation and Tentative Special Verdict Form (on Misappropriation Claims). (Dkt. 2010 at 1.) Defendants understand the Court’s request to be limited to the instructions and verdict form related to the misappropriation issue, and thus do not include their objections and critiques of instructions not directly related to misappropriation that were not included in the Court’s Tentative Jury Instructions and Tentative Special Verdict Form. (Dkt. 2010.) Defendants reserve the right to provide additional comments on jury instructions based on the evidence presented at trial.<sup>1</sup>

## TJI#2

Defendants suggest editing the first sentence of TJI#2 to clarify that the elements must be satisfied for each alleged trade secret, to be consistent with the other instructions and the verdict form. The edited first sentence would read “To succeed on its claim that a defendant misappropriated a specific Alleged Trade Secret, Waymo must prove all of the following for that Alleged Trade Secret.” (The proposed addition is underlined.)

In addition, as Defendants have shown previously, Waymo has made no effort to prove that it suffered any damages from any alleged “disclosure” of its Alleged Trade Secrets. (Dkt. 1735 at 33.) Instead, Waymo’s damages expert calculates damages solely based on Defendants’ alleged *use* of the Alleged Trade Secrets. Accordingly, the jury instructions and verdict form should not permit the jury to award damages against a party based on “disclosure.” The simplest and most appropriate way to accomplish this result would be to eliminate “disclosure” from the jury instructions and verdict form. Under the Directions for Use of CACI No. 4405, the jury should only be instructed on matters relevant to damages claims:

Civil Code section 3426.1(b)(1) defines “misappropriation” as improper “[a]cquisition” of a trade secret, and subsection (b)(2) defines it as improper “[d]isclosure or use” of a trade secret. In some cases, the mere acquisition of a trade secret, as distinguished

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<sup>1</sup> The parties conferred and have agreed to a stipulation that the instructions will cover both federal and state law without distinction, subject to a few reservations. The parties will file that draft stipulation under separate cover.

1 from a related disclosure or use, will not result in damages and will  
 2 only be relevant to injunctive relief. **Because generally the jury**  
 3 **should only be instructed on matters relevant to damage claims,**  
 4 **this instruction should not be given unless there is evidence that**  
 5 **the acquisition resulted in damages, other than damages from**  
 6 **related disclosure or use.**

7 CACI No. 4405 (Misappropriation by Acquisition), Directions for Use (emphasis added).

8 While CACI No. 4405 explains why an instruction on “acquisition” leading to damages  
 9 should not be given, the principle underlying this instruction also shows why, in this case, no  
 10 instructions should be given that would allow the jury to award damages based solely on  
 11 disclosure of an Alleged Trade Secret. Therefore, Defendants request that “or disclosed” be  
 12 struck in this instruction as well as in TJI#9 and the verdict form. Alternatively, the verdict form  
 13 should be revised to clarify that unjust enrichment damages cannot be awarded based on  
 14 disclosure (in contrast to use).

### 15 TJI#3

16 Number 4 in this instruction appears to be missing the word “secret.” Defendants’  
 17 proposed edit is: “4. That Waymo made reasonable efforts up to the alleged misappropriation to  
 18 keep the Alleged Trade Secret secret.” (The proposed addition is underlined.)

### 19 TJI#9

20 Defendants believe that the reference should be to the second element, not the third  
 21 element, to be consistent with TJI#2. Also, for the same reasons described above in relation to  
 22 TJI#2, Defendants submit that “or disclosed it” should be struck from this instruction.

### 23 TJI#12

24 Defendants believe that TJI#12 should not be given because, as detailed in prior briefing,  
 25 an agent’s knowledge of a trade secret cannot be imputed to a principal. (*See* Dkt. 1735 at 50–51;  
 26 Dkt. 824 at 2–8.) Waymo has never cited any case from any jurisdiction that has found improper  
 27 acquisition based on imputation, nor are Defendants aware of any such case.

28 A second reason that TJI#12 should not be given is that there is no damages claim based  
 on acquisition. Acquisition therefore is not an issue properly committed to the jury. *See* CACI  
 No. 4405 (Misappropriation by Acquisition), Directions for Use. Although TJI#12 may be

intended only to address improper acquisition of information as a predicate for a finding of use, such an instruction could confuse the jury as to whether acquisition as described in TJI#12 could itself serve as a basis for liability and damages.

If TJI#12 is to be given, Defendants believe it should be provided before the instruction on use (current TJI#11) to be consistent with TJI#2.

Additionally, if TJI#12 is to be given, Defendants submit that the wording should be amended in certain respects, such that the final instruction would read (with **green** showing moved text, **red** added, and ~~striketrough~~ removed):

You have heard evidence that the law firm of Morrison & Foerster and/or the forensic analytics firm of Stroz Friedberg LLC received **materials** ~~Alleged Trade Secrets~~ in connection with Uber's acquisition of Ottomotto LLC **that Waymo claims included Alleged Trade Secrets**. Under the law, if Waymo proves that one or both of these firms **improperly** acquired **Alleged Trade Secrets** ~~such a trade secret as an agent of a defendant, then you must treat that trade secret as having been acquired by that defendant unless it is proven that such firm~~ **and also shows that one or both of these firms** was under an obligation ~~not to disclose the trade secret~~ **the details of the Alleged Trade Secret** to that defendant, ~~then you must may treat that trade secret as having been improperly acquired by that defendant.~~ **Acquisition means pointed conduct by the Defendant intended to gain or obtain as its own, or to gain the ownership of, the trade secret.**

**First** and most importantly, this properly reflects that Waymo, not Defendants, bears the burden of proving the existence and scope of any alleged agency relationship. The law is clear on this point. In *California Viking Sprinkler Co. v. Pacific Indemnity Co.*, for example, the Court of Appeal held that the trial court erred by instructing the jury that an insurance company was, as a matter of law, liable for the acts of its agent:

The existence of an agency relationship and the extent of the authority of the agent are questions of fact for the jury (*Thompson v. Machado*, 78 Cal.App.2d 870, 876–877, 178 P.2d 838; *Mayers v. Litow*, 154 Cal.App.2d 413, 316 P.2d 351), unless the evidence is susceptible of but one inference (*Seneris v. Haas*, 45 Cal.2d 811, 831, 291 P.2d 915, 53 A.L.R.2d 124). In either event **the burden of proving agency, as well as scope of the agent's authority, rests upon the party asserting the existence thereof and seeking thereby to charge the principal upon representations of the agent** (*Aspen Pictures, Inc. v. Oceanic S. S. Co.*, 148 Cal.App.2d 238, 253, 306 P.2d 933; *Wahyou v. Kiernan*, 145 Cal.App.2d 443, 445, 302 P.2d 638). Thus, it is incumbent upon the party seeking to charge the principal for the acts of its

agent to show (1) existence of the agency relationship, and (2) authority of the agent to bind the principal to the transaction upon which the action is brought.

213 Cal. App. 2d 844, 850 (Cal. Ct. App. 1963) (emphasis added).

In another example, the Court of Appeal held that a bank's grant of authority to its employee to endorse checks for deposit to the bank's account did not mean that the employee was also authorized as a matter of law to endorse checks for deposit into accounts opened in fictitious names. *Oswald Mach. & Equip., Inc. v. Yip*, 10 Cal. App. 4th 1238, 1241 (Cal. Ct. App. 1992), *reh'g denied and opinion modified* (Dec. 4, 1992). Thus the wrongdoing of the agent was not automatically imputed to the principal (the bank). As the court explained:

Actual authority is such as a principal intentionally confers upon the agent, or intentionally, or by want of ordinary care, allows the agent to believe himself to possess." (Civ. Code, § 2316.) (4)  
**Unless the evidence is undisputed, the scope of an agency relationship is a question of fact, and the burden of proof rests on the party asserting the relationship.** (*Magnecomp Corp. v. Athene Co.* (1989) 209 Cal. App.3d 526, 536 [257 Cal. Rptr. 278]; *Aspen Pictures, Inc. v. Oceanic S.S. Co.* (1957) 148 Cal. App.2d 238, 253 [306 P.2d 933]; *Torrance N. Bk. v. Enesco F. Credit Union* (1955) 134 Cal. App.2d 316, 324 [285 P.2d 737]; *Correa v. Quality Motor Co.* (1953) 118 Cal. App.2d 246, 251 [257 P.2d 738].)

*Id.* at 1247 (emphasis added).

**Second**, TJI#12 also should clarify that Waymo bears the burden of proof to demonstrate that the materials received by Stroz or MoFo in fact contained trade secrets. Uber objects to the instruction to the extent it suggests that Waymo has shown that Stroz or MoFo knew of actual trade secrets by saying that the jury has "heard evidence" that those entities "received Alleged Trade Secrets." The instruction should clarify that Waymo bears the burden of proof that those materials contained trade secrets.

**Third**, acquisition can only occur through "improper means." See Cal. Civ. Code § 3426.1(a); 18 U.S.C. § 1839(6). This issue could be addressed by adding the word "improperly" before "acquired" where it occurs.

**Fourth**, as detailed in prior briefing (Dkt. 1735 at 28; Dkt. 824 at 3), acquisition requires a showing that a party engaged in conduct that was intended to secure dominion over a thing, in the

1 sense of making it their own:

2 There is no suggestion that Intel ever *disclosed* Silvaco's source  
 3 code to anyone, and it is difficult to see how it might have done so  
 4 since there is no evidence that it ever had the source code to  
 5 disclose. Silvaco emphasizes that wrongful acquisition of a trade  
 6 secret may be actionable in itself. (See § 3426.1, subd. (b); *San Jose*  
 7 *Construction Inc. v. S.B.C.C., Inc.* (2007) 155 Cal.App.4th 1528,  
 8 1544, 67 Cal.Rptr.3d 54, fn. omitted [“ ‘misappropriation’ can  
 9 occur through improper acquisition of a trade secret, not only  
 10 through use”].) But there is no basis to suppose that Intel ever  
 11 “acquired” the source code constituting the trade secrets. **To**  
**acquire a thing is, most broadly, “receive” or “come into**  
**possession of” it. (1 Oxford English Dict. (2d ed. 1989), p. 115.)**  
**But the term implies more than passive reception; it implies**  
**pointed conduct intended to secure dominion over the thing,**  
**i.e., “[t]o gain, obtain, or get as one’s own, to gain the**  
**ownership of (by one’s own exertions or qualities).”**  
 (*Ibid.*; see *id.* at p. 115 [“acquisition” as “[t]he action of obtaining  
 or getting for oneself, or by one's own exertion”].)

12 *Silvaco Data Sys. v. Intel Corp.*, 184 Cal. App. 4th 210, 222–23 (Cal. Ct. App. 2010), *as modified*  
 13 *on denial of reh’g* (May 27, 2010) *disapproved of on other grounds by Kwikset Corp. v. Super.*  
 14 *Ct.*, 51 Cal. 4th 310 (Cal. Ct. App. 2011) (emphasis added). Thus, Uber proposes that the  
 15 instruction include the following sentence, “Acquisition means pointed conduct by the Defendant  
 16 intended to gain or obtain as its own, or to gain the ownership of, the trade secret.” The  
 17 instruction should make clear that acquisition cannot occur by accident through the actions of  
 18 agents who may obtain trade secret information with no plan or obligation to provide that  
 19 information to any defendant.

20 ***Fifth***, the instruction should be modified to show that while a jury “may” impute an  
 21 agent’s knowledge to a principal if there is a duty to disclose, the jury is not required to do  
 22 so. The Ninth Circuit’s decision in *Droeger* demonstrates that the issue of actual communication  
 23 of the trade secret material from agent to principal is a question of fact. In that case, the trial  
 24 court had instructed the jury: “It is not a defense to the corporation that Mr. Bayley [the agent] did  
 25 not inform other officers.” *Droeger v. Welsh Sporting Goods Corp.*, 541 F.2d 790, 792 (9th Cir.  
 26 1976). The Ninth Circuit observed in a footnote that this portion of the instruction improperly  
 27 took a fact question away from the jury:  
 28

**In light of the emphasis in trade-secret law on unfair use, it is generally not appropriate to direct a jury to impute an agent's knowledge of a secret to the principal.<sup>1</sup> Such an instruction would permit recovery even when the trade secret was not actually communicated to or used by the principal.** The plaintiff is not entitled to a windfall when in fact there has been no invasion of those interests which trade-secret law seeks to protect.

**FN1: Nor should a judge in a trial to the court automatically impute to a corporate employer information communicated in confidence to an employee. Whether the agent conveyed such information to the corporation is a question for the fact-finder to decide.** See, e. g., *Gilbert v. General Motors Corp.*, 41 F.Supp. 525 (W.D.N.Y.1941), *aff'd*, 133 F.2d 997 (2d Cir.), *cert. denied*, 319 U.S. 743, 63 S.Ct. 1031, 87 L.Ed. 1700 (1943).

*Id.* at 792–93 (emphasis added).

### **TJI#13**

Otto Trucking should be removed from this instruction. While it is an accurate statement of the law, it is confusing as to Otto Trucking. Otto Trucking does not have any employees and is not involved in the development of LiDAR technology. (*See* Dkt. 1434-4; Dkt. 1636 at 8; Dkt. 1946 at 1.) Because Otto Trucking has no employees and does not develop LiDAR, it is not possible that any skills that may have been acquired by a former Google employee while at Google could have been or can be used for any Otto Trucking business. Defendants submitted this as a joint instruction, but on further review Otto Trucking does not believe that it should be included in this instruction.

### **TJI#14**

Defendants believe that the reference should be to the third element, not the fourth element, to be consistent with TJI#2.

### **TJI#16**

Defendants submit that the end of this instruction should note that the jury should decide the matters addressed by TJI#16 for each trade secret, thus closing with the phrase “for each Alleged Trade Secret.”

### **TJI#17**

In response to the Court’s request for a proposed instruction on the proper measure of recovery, Defendants propose the following instruction. The first paragraph is taken from CACI



No. 4410, with alterations shown (with red showing added text, and ~~strike through~~ removed). The second is from instructions given in *O2 Micro International Ltd. v. Monolithic Power Systems, Inc.*, No. C 00-4071 CW, 2000 WL 35634755 (N.D. Cal. 2000), which was included with Waymo's proposed jury instructions on unjust enrichment. (*See* Dkt. 1728 at 110.)

To decide the amount of any unjust enrichment, first determine the dollar value of any benefits a defendant actually realized ~~defendant's benefit~~ that would not have been achieved except for its misappropriation. Then subtract from that amount the defendant's reasonable expenses.

Your award must be based upon evidence, and not upon speculation, guesswork or conjecture.

Defendants propose altering CACI to clarify that the jury must base any unjust enrichment award on a determination of the value of any benefits a defendant has *actually* obtained by misappropriation of trade secrets, rather than what it might have expected to obtain. Waymo has taken the position and apparently intends to argue at trial that a jury could base an unjust enrichment award on the value that a defendant expected to derive at the time of misappropriation. (*See* Dkt. 1777-3 at 11.)

As Defendants noted in a supplemental notice to its *Daubert* brief on October 23 (Dkt. 2050), the Federal Circuit has squarely rejected Waymo's position in a case applying California law. In *Litton*, the trial court concluded that the appropriate measure for unjust enrichment was the defendant's expected gain at the time of misappropriation rather than its actual gain. *See Litton Sys., Inc. v. Ssangyong Cement Indus. Co.*, No. C-8903832-VRW, 1993 WL 317266, at \*4 (N.D. Cal. Aug. 19, 1993). Waymo cited the district court decision in *Litton* in support of its position—the only case from this Circuit it cited for this point. However, *the Federal Circuit reversed on this very point, expressly rejecting the “expectation” approach to unjust enrichment*:

In cases of trade secret misappropriation, unjust enrichment is normally measured by the defendant's profits on sales attributable to the use of the trade secret. *See Restatement of Unfair Competition* § 45 cmt. f (1995); 1 Melvin F. Jager, *Trade Secrets Law* § 3.03[6][b][i] (1995). The defendant's gain has also been measured by the cost saving that the defendant has realized from using the trade secret. *Id.*; *see also Salsbury Labs., Inc. v. Merieux*



*Labs., Inc.*, 908 F.2d 706, 714 (11th Cir. 1990). **The district court’s theory of unjust enrichment as encompassing unrealized expected gain, however, is unsupported in the law of unfair competition and cannot serve as a valid basis for an award of damages in this case.**

*Litton Sys., Inc. v. Ssangyong Cement Indus. Co.*, 107 F.3d 30 (Fed. Cir. 1997) (emphasis added). This decision is logical. A party cannot account for or return a benefit it did not actually receive, even if it had previously expected to receive a benefit.

Given that Waymo’s current damages model is based on this invalid theory of “expected gain” (Dkt. 1619 at 6–7), the jury should be instructed on the proper measure of unjust enrichment as the benefit actually realized by a defendant.

#### **TJI#18**

For the reasons described below in relation to Questions 5 and 6 on the Verdict Form, Defendants submit that the phrase “for each Alleged Trade Secret” be added to the end of this instruction.

#### **TJI#19**

In connection with TJI#19, defendants believe that the jury should be instructed on the meaning of “willful” and “malicious” conduct using the standard set forth in CACI No. 4411. (*See* Dkt. 1728 at 124–127.) In addition, as Defendants previously noted, under the plain language of both the CUTSA and the DTSA the Court—not the jury—decides the amount of exemplary damages, if any. (Dkt. 1735 at 70.) Cal. Civ. Code § 3426.3(c) (“If willful and malicious misappropriation exists, **the court may** award exemplary damages in an amount not exceeding twice any award made under subdivision (a) or (b).”) (emphasis added); 18 U.S.C.A. § 1836(b)(3)(C) (“Remedies.--In a civil action brought under this subsection with respect to the misappropriation of a trade secret, **a court may** ... if the trade secret is willfully and maliciously misappropriated, award exemplary damages in an amount not more than 2 times the amount of the damages awarded under subparagraph (B)”) (emphasis added). At most, the jury may be instructed as to whether Defendants acted willfully and maliciously, but not to determine the amount of any exemplary damages, which is an issue for the Court.

## VERDICT FORM

Uber proposes the following revisions to the Tentative Special Verdict Form on Misappropriation Claims.

**First**, Uber and Waymo agree<sup>2</sup> that what is now Question 3 should be moved first, such that it is Question 1. That question asks the jury whether Waymo has proven that, at the time of the alleged misappropriation, each Alleged Trade Secret qualified as an enforceable trade secret. Placing this question first harmonizes the Special Verdict Form with the jury instructions, as this element is identified as the first element of proof misappropriation in TJIs 1 and 2. In addition, in the Court’s instructions, this question is the first time that the jury is asked to consider each trade secret separately; the questions on improper acquisition, use, and disclosure then ask the jury to write in the number of the Alleged Trade Secret as to each Defendant. Placing an itemized question first more clearly allows the jury to answer the ensuing questions only as to the trade secrets they identified as enforceable in the first instance—a threshold question that may eliminate many of the trade secrets from further consideration, and will therefore reduce the risk of juror confusion and an inconsistent verdict.

**Second**, Uber proposes that current Question 1 (which should become Question 2), the third sentence should be revised to replace “misappropriated” with “improperly acquired” to be more precise and consistent with the previous formulation in that question. The jury should not be led to believe that acquisition alone could be a form of misappropriation that could lead to damages. As explained above, Waymo’s damages claims are based entirely on alleged use of the Alleged Trade Secrets, not on any alleged acquisition or disclosure without use.

**Third**, for the reasons noted above in regards to TJI#2, Defendants request that the word “or disclosed” be struck from what is now Question 2 (which should become Question 3).

**Fourth**, Uber proposes that Questions 5 and 6, relating to the dollar value of any unjust enrichment or the number of any days of development possibly saved, should be revised to request itemized verdicts as to each particular Alleged Trade Secret at issue, rather than an

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<sup>2</sup> Waymo indicated that it agreed to this change on a meet-and-confer call on October 20, 2017.

1 aggregate result. For example, should the jury find that three Alleged Trade Secrets were  
2 enforceable, improperly acquired, and used, the jury should be asked to make a separate  
3 determination of the dollar amount of any unjust enrichment or the days of saved development  
4 time for each of those three Alleged Trade Secrets. Waymo's unjust-enrichment figures are  
5 broken out by alleged trade secret (as they should be), so this question will therefore follow the  
6 proof. Moreover, should the Court or any appellate court overrule the jury's findings of liability  
7 on even one of the Alleged Trade Secrets, having an aggregated damages number or days saved  
8 would require a full retrial, which would waste judicial and jury resources—an outcome that an  
9 itemized verdict form could forestall.

10 ***Fifth***, Uber reserves the right to contest the scope of any injunction based on Question  
11 # 6.

12 ***Finally***, in relation to Question 7, as noted above in relation to TJI#19, Uber requests that  
13 the line item for the jury to identify the amount of exemplary damages be removed.  
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1 Dated: October 24, 2017

MORRISON & FOERSTER LLP

2  
3 By: /s/ Arturo J. González

4 ARTURO J. GONZÁLEZ

5 MICHAEL A. JACOBS (CA SBN 111664)

MJacobs@mofo.com

6 ARTURO J. GONZÁLEZ (CA SBN 121490)

AGonzalez@mofo.com

7 MORRISON & FOERSTER LLP

425 Market Street

8 San Francisco, California 94105-2482

Telephone: 415.268.7000

9 Facsimile: 415.268.7522

10 KAREN L. DUNN (*Pro Hac Vice*)

kdunn@bsfllp.com

11 HAMISH P.M. HUME (*Pro Hac Vice*)

hhume@bsfllp.com

12 BOIES SCHILLER FLEXNER LLP

1401 New York Avenue, N.W.

13 Washington DC 20005

Telephone: 202.237.2727

14 Facsimile: 202.237.6131

15 WILLIAM CARMODY (*Pro Hac Vice*)

bcarmody@susmangodfrey.com

16 SHAWN RABIN (*Pro Hac Vice*)

srabin@SusmanGodfrey.com

17 SUSMAN GODFREY LLP

1301 Avenue of the Americas, 32nd Floor

18 New York, NY 10019-6023

Telephone: 212.336.8330

19 Facsimile: 212.336.8340

20 Attorneys for Defendants

UBER TECHNOLOGIES, INC.

21 and OTTOMOTTO LLC

1 Dated: October 24, 2017

GOODWIN PROCTER LLP

2  
3 By /s/ Neel Chatterjee

4 NEEL CHATTERJEE

5 Neel Chatterjee (SBN 173985)

nchatterjee@goodwinlaw.com

6 Brett Schuman (SBN 189247)

bschuman@goodwinlaw.com

7 Shane Brun (SBN 179079)

sbrun@goodwinlaw.com

8 Rachel M. Walsh (SBN 250568)

rwalsh@goodwinlaw.com

9 Hayes P. Hyde (SBN 308031)

hhyde@goodwinlaw.com

10 Hong-An Vu (SBN 266268)

hvu@goodwinlaw.com

11 GOODWIN PROCTER LLP

135 Commonwealth Drive

12 Menlo Park, California 94025

Tel.: +1 650 752 3100

13 Fax.: +1 650 853 1038

14 Attorneys for Defendant

OTTO TRUCKING LLC

15  
16  
17  
18 **ATTESTATION OF E-FILED SIGNATURE**

19 I, Arturo J. González, am the ECF User whose ID and password are being used to file this  
20 document. In compliance with Civil L.R. 5-1(i)(3), I hereby attest that Neel Chatterjee has  
21 concurred in this filing.

22 Dated: October 24, 2017

/s/ Arturo J. González

23 Arturo J. González